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REVIEWS AND NEW BOOKS

General Works, Theory and Its History

Social Value. A Study in Economic Theory, Critical and Constructive. By B. M. ANDERSON. Hart Schaffner and Marx Prize Essays in Economics. (Boston: Houghton Mifflin Company. 1911. Pp. xviii, 199. \$1.00.)

A positive concept of value, or of worth underlying exchange ratios, has long been regarded as a logical necessity of economic theory. For an analysis of the price-making forces in a pecuniary economy the purely relative conception of value was perhaps more fruitful than any other would have been. But we cannot arrive at a sum of value—something we must posit in our analysis of the distributive process—so long as we conceive of values as mere ratios. And indeed, value as a ratio implies as a substratum some quality common to all things compared in the valuation process. Strictly speaking there can be no ratio between wheat and gold; there can be a ratio between the quantities of a homogeneous quality shared in by both wheat and gold.

This quality, common to all commodities, Karl Marx finds to be “socially necessary labor”; Wieser attempts to identify it, in a “natural” state at least, with marginal utility; Professor Clark finds the all-pervading substance of values to be the effective utility of commodities to society, viewed as an organic whole. Related to this view, but not very closely related, is Dr. Anderson’s concept of social value. Value, according to him, is the power an object exercises over human motives, and the origin of this power is essentially social. The common element in commodities is a socially created power over the actions of men.

That values in the non-economic field—ideal values—are of the nature imputed to economic values by Dr. Anderson, is something most of us would admit without argument. It is obvious that a social process has built up the values of honor and justice, chivalry and patriotism. No considerations of personal utility can explain the conduct of men under the influence of such values. It is a chief part of Dr. Anderson’s service that he has brought to bear upon economic values the results of studies in value carried on by investigators in the fields of psychology, ethics and

sociology. Economic value, after all, is nothing unique in the world. It has its peculiar characteristics—a definiteness, derived from the constant comparisons made in the course of the exchange and production processes; a capacity for subjection to a marginal determination, not possessed by the values of ethics and jurisprudence. But in origin and in function, as Dr. Anderson shows, economic and non-economic values are alike. And furthermore, ethical, legal and economic values mutually condition one another. No one of them can be adequately explained without reference to the others. The social forces that make for a change in the one also produce changes in the others.

To the Austrians and their disciples, value is based upon feeling (pleasure or pain) or upon desire—strictly individualistic elements. That this view is out of harmony with the facts is evident. What man derives feelings of pleasure from all the things he values, or experiences desire for them? Value, Dr. Anderson points out, contains feeling and desire as structural elements. But the functional aspect of value, power in motivation, cannot be explained by these elements alone. The whole personality must be brought into play, and not merely in its individual aspects, but in its social relations, as well. Acceptance of the view that the functional aspect of value is of chief significance practically constrains one to accept the view that values are, at least in large part, social.

On first inspection, this doctrine of the nature of value appears to be revolutionary. How far would its acceptance compel us to modify existing theories of price and of distribution? Dr. Anderson states his conviction that the greater part of current value theory is valid, so far as its bearing upon prices is concerned. He also insists strongly that his theory assumes a neutral position in respect to questions of distributive justice. The reviewer inclines to the opinion that Dr. Anderson is overmodest in his claims. When fully worked out, a social value theory will probably explain many of the cases of value which prove refractory under the marginal utility analysis. Applied to the problem of wages, it will possibly result in a decided modification of opinion as to the efficacy of certain forces economists are now inclined contemptuously to ignore.

Dr. Anderson's own claim for his theory is that it fully satisfies the logical need for a substratum of positive values as a basis

for exchange ratios, and that it is the only theory that can meet this need. The positive value concept of Wieser and his followers is, according to Dr. Anderson, essentially fallacious. Exchange ratios are explained, not by utility schedules, but by demand schedules. Demand, however, implies the existence of values. Thus value is called into service to explain value—a vicious circle. To the reviewer, the criticism does not appear to be valid. Given the existing constitution of things, the value of a thing newly created can be explained only with reference to values antecedently existing. The value of a newly found diamond will depend in large part upon the existing distribution of wealth. This means that present values are parts of a structure reaching far into the past. But is not this the truth? If we could grasp the whole process from the beginning, might we not say that we had explained value without assuming it? If we assume the conditions of economic life just beginning, we shall have no difficulty whatever in rearing a structure of exchange values, even upon the presuppositions of a purely individualistic psychology. The positive value doctrine of the Austrians is no doubt psychologically untenable; logically it is probably as sound and as useful as any other.

Dr. Anderson's own theory, as a psychological theory, encounters the same difficulty. An illuminated manuscript is worth \$20,000; it embodies as much social value as 40,000 bushels of corn. Why? Because Mr. Morgan, perhaps alone of mankind, covets it. We cannot explain the price of \$20,000, nor the underlying value, without reference to the antecedent distribution of wealth—a value phenomenon. To be sure, there are a number of indications in Dr. Anderson's book that he would argue that Mr. Morgan is himself a manifestation of social value, that all the factors that can bear upon current values make up the current social valuation process.¹ Such a doctrine would make it possible, no doubt, to escape all logical difficulties. It would make exchange ratios correspond, in all cases, with underlying social values. But this is a purely logical doctrine of social value: it is a mere redefining of terms, a restatement of a problem. It bears no close relation to the psychological doctrine of social value, which is Dr. Anderson's principal contribution. For, however elaborate our psychological analysis of social forces affecting

¹ Cf. pp. 137, 149, 151, 160.

values, there will remain instances of exchanges that cannot be explained by it. The world has recognized for thousands of years that social value principles do not justify the exchange of one's birthright for a mess of pottage.

No one would assert that the social values in the non-economic field are universally valid. Among a patriotic people, treason is still to be found. Atheism does not wholly disappear even in a religious age. The social values in this field are dynamic; they are forcing themselves upon a society not yet wholly organic. And the analogy will hold in the economic field. Though many exchanges are characterized by accident and whim, force and fraud, we may assume that the majority are controlled by organic social forces. Whether this modified social value doctrine satisfies our logical needs or not, it appears to be the only one that the facts will warrant us in accepting.

Dr. Anderson's essay is in many respects a remarkable piece of work. Its author displays an extraordinary familiarity with the methods and results of contemporary ethics, sociology, psychology and philosophy, and extraordinary skill in utilizing materials derived from these fields. The argument of the book is clear and convincing. Although the issues involved are difficult of comprehension, the exposition is so excellent as easily to command the reader's attention. In the judgment of the reviewer, the essay is one that will have to be taken into account in future construction of value theory.

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Outlines of Political Economy. By S. J. CHAPMAN. (New York: Longmans, Green and Company. 1911. Pp. xvi, 413. \$1.25.)

The author designs this book for any who are beginning the study of political economy, and acknowledges his indebtedness to Dr. Marshall's teaching. The work is divided into seven parts dealing with Scope and Method, Consumption, Production, Exchange, Money, Distribution, Public Economics, and Public Finance. The chapter on Markets with a discussion of speculation and its effect on prices is put under production rather than under exchange.